

Message Text

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C O N F I D E N T I A L TOKYO 04628

EXDIS

E.O. 11652: XGDS-1
TAGS: EFIN, JA
SUBJECT: MIYAZAWA PROPOSALS ON INTERNATIONAL MONETARY
ARRANGEMENTS

1. A HIGH FINANCE MINISTRY OFFICIAL CAUTIONED FINATT TODAY AGAINST TAKING ECONOMIC PLANNING AGENCY DIRECTOR GENERAL MIYAZAWA'S SUGGESTIONS CONCERNING A MODIFIED ROOSA PLAN AS REFLECTING A UNIFIED GOJ POSITION. SPECIFICALLY, HE NOTED THAT LDP INTER-FACTIONAL RIVALRIES REMAIN STRONG, RECALLED THAT MIYAZAWA IS A MEMBER OF THE OHIRA FACTION, AND SUGGESTED THAT WE NOT JUMP TO CONCLUSIONS ABOUT JAPAN'S FORMULATING AMBITIOUS PROPOSALS FOR NEW INTERNATIONAL MONETARY ARRANGEMENTS. (AS EXAMPLES OF THE CHARGED ATMOSPHERE, HE CITED RUMORS BEING CIRCULATED THAT THE U.S. CIA HAD RECENTLY DECIDED TO PUT ITS MONEY ON OHIRA RATHER THAN FUKUDA, AND RUMORS THAT FUKUDA HAD THROAT CANCER OR TB, WHICH HE TERMED MALICIOUS.) HE SAID THAT FINANCE MINISTER MURAYAMA'S REPORTED ENDORSEMENT IN THE UPPER HOUSE OF MIYAZAWA'S VIEWS HAD IN FACT BEEN CAST IN TERMS OF ENDORSING THE NEED TO DO SOMETHING IN THE MONETARY AREA, NOT IN TERMS OF ENDORSING THE LATTER'S SPECIFIC IDEAS. THE FINANCE MINISTRY OFFICIAL SAID HE FELT, AND HAD BANK OF JAPAN
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PAGE 02 TOKYO 04628 230559Z

SUPPORT IN THIS, THAT JAPAN, GIVEN ITS CURRENT ACCOUNT SURPLUS, WAS IN NO POSITION TO BE SUGGESTING AMBITIOUS NEW MONETARY ARRANGEMENTS, ALTHOUGH HE REITERATED CONTINUED INTEREST IN ACTIVATION OF THE YEN SWAP. AT THE SAME TIME, HE MADE IT CLEAR THAT THE ADVOCATES OF THIS LINE WERE RECEIVING A GOOD DEAL OF CRITICISM FOR THEIR STANCE, WHICH IS BEING INTERPRETED AS A "SOFT LINE."

2. THE OFFICIAL EXPECTED THAT MIYAZAWA WOULD IN ANY EVENT TAKE UP HIS PLANS FOR CHANGES IN MONETARY ARRANGEMENTS WITH CHAIRMAN SCHULTZE DURING HIS VISIT BUT OBSERVED THAT MIYAZAWA HAS ALSO BEEN SAYING RECENTLY THAT THE MATTER SHOULD BE BROUGHT UP AT THE INTERIM COMMITTEE MEETINGS AT THE END OF APRIL.

3. COMMENT: EMBASSY IS REPORTING ABOVE AS AN EXAMPLE OF THE KIND OF THINKING THAT IS IN VOGUE THESE DAYS. THERE IS A COUNTER PLAN FOR EVERY PLAN, AND A DARK MOTIVE FOR EVERY PROPOSAL. WE SEE NO REASON TO DOUBT THAT THE BUREAUCRACY WILL CONTINUE TO URGE CAUTIOUS AND REALISTIC SOLUTIONS. AT THE SAME TIME, THE POLITICIANS ARE VISIBLY AND HONESTLY CONCERNED AND THEY WILL CONTINUE TO PRESS THEIR CASE. MANSFIELD

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